MARK E. FELGER (MF9985)
JERROLD N. POSLUSNY, JR. (JP7140)
COZEN O'CONNOR
LibertyView, Suite 300
457 Haddonfield Road
Cherry Hill, NJ 08002
(856) 910-5000
(856) 910-5075 (fax)

Attorneys for the Debtors

In re: SHAPES/ARCH HOLDINGS L.L.C., et al., Debtors.	: : : : : : :	UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF NEW JERSEY CHAPTER 11 CASE NO. 08-14631 (GMB)

DECLARATION OF MICHAEL JACOBY IN SUPPORT OF CONFIRMATION OF THE DEBTORS' THIRD AMENDED JOINT PLAN OF REORGANIZATION

State of New Jersey)
) SS
County of Camden)

Michael Jacoby, being duly sworn, hereby declares and certifies under penalty of perjury:

1. I am a managing director and shareholder of Phoenix Management Services, Inc. ("Phoenix"), with offices located at 110 Chadds Ford Commons, Chadds Ford, Pennsylvania 19317. I submit this Declaration in support of confirmation of the Plan (capitalized terms not defined herein shall have the meanings ascribed to such terms in the Plan). If called to testify, I could and would testify competently as to the facts set forth herein.

2. My professional credentials include: I received a B.S. in Economics from The Wharton School of Finance, a B.A. from the University of Pennsylvania, and a M.B.A. in Finance from Temple University. I hold the Certified Turnaround Professional designation from the Turnaround Management Association, the Certified Cash Manager designation from the

Association for Financial Professionals and the Certified Management Consultant designation from the Institute of Management Consultants.

3. I have seventeen years of experience in the turnaround and financial consulting field, sixteen of which have been with Phoenix. Over those years I have been engaged as a financial advisor to many Chapter 11 debtors, and have performed services in those cases similar to those I have provided in these Chapter 11 Cases.

4. On April 9, 2008 (*nunc pro tunc* to March 16, 2008), the Court approved the Debtors' retention of Phoenix as their financial advisors. Since that time, Phoenix has, inter alia:

a. Provided assistance to the Debtors and their bankruptcy counsel in preparation of the Debtors' Third Amended Joint Plan of Reorganization (the "Plan"), and the disclosure statement in support of the Plan (the "Disclosure Statement");

b. Maintained, rolled-forward and compared actual to projected results for the Debtors' DIP Model and assisted with the day-to-day calculation, management and reporting of the Debtors' cash requirements, and availability during the Chapter 11 Cases;

c. Prepared a liquidation analysis to support the Plan and Disclosure Statement;

d. Assisted in the preparation of the feasibility analysis (financial projections) in conjunction with the Plan and Disclosure Statement;

e. Assisted with the review and preparation of motions and responses to motions by third parties;

f. interfaced regularly with financial advisors of Arch Acquisition and the Committee; and

g. Worked with the Debtors' bankruptcy counsel to provide evidentiary support for and testimony in support of motions and other Court matters.

5. Based on the above, I am familiar with the Debtors' financial condition and the Plan and Disclosure Statement.

6. As set forth above, Phoenix prepared a liquidation analysis with the input of Debtors' management and other professionals, which is annexed as Exhibit "A" to this Declaration (which exhibit was attached to the Plan Supplement filed on June 16, 2008, as Exhibit "E"). The liquidation analysis sets forth the Debtors' projection of how Creditors would fare under a hypothetical liquidation under Chapter 7 of the Bankruptcy Code, under a number of necessary and, in our view, appropriate assumptions. The liquidation analysis demonstrates that Creditors will receive better treatment under the Plan than they would receive in a typical liquidation under Chapter 7 of the Bankruptcy Code. Therefore, I believe that each impaired class of claims will receive property of a value as of the Effective Date that is not less than the amount that such claimant would receive under Chapter 7.

7. In an effort to determine whether the Plan Funding Commitment by Arch Acquisition will be adequate to meet the Debtors' obligations under the Plan on the Effective Date, Phoenix has analyzed (with the input of the Debtors' management and counsel) the secured, administrative and priority claims filed of record with Epiq and the Debtors' expected cash position on or about July 28, 2008 (the projected Effective Date is between July 28 and August 4, 2008). The result of our analysis is set forth in the spreadsheet entitled "Estimated Emergence Day Funding Requirements" that we have annexed as Exhibit "B" to this Declaration. As the spreadsheet reveals, it is our belief that the Plan Funding Commitment will be adequate to meet the Debtors' obligations on the Effective Date of the Plan.

8. The Plan sets certain dollar caps for the amount of the Allowed Claims in Class 1 (Other Priority Claims), and Class 2 (Secured Real Estate Claims), and for the amount of Allowed Priority Tax Claims (collectively, the "Capped Classes of Claims"). Based upon my review of the claims register and the actual claims that Epiq designated as falling in any of the Capped Classes of Claims, and after consultation with Debtors' bankruptcy counsel and Debtors' management, it is our belief that the amount of the Allowed Claims in the Capped Classes of Claims will not exceed the caps provided in the Plan for such Capped Classes of Claims.

9. Further, I believe that the Plan is not likely to be followed by the need for further financial reorganization. As set forth in the financial projections prepared by Debtors' management with the input of Phoenix that are annexed hereto as Exhibit "C" to this Declaration (which exhibit was attached to the Disclosure Statement as Exhibit "C"), and as discussed in the Disclosure Statement, Phoenix, as restructuring advisor to the Debtors, believes that the Plan is feasible and that it is not likely that there will be a need for further financial reorganization.

10. I believe that those projections are reasonable, because they rely upon the Debtors' previous performance and reasonable assumptions by management for future performance.

11. Based on all of the facts set forth in this Declaration and after consultation with the Debtors' bankruptcy counsel, I believe that the Plan satisfies the requirements for confirmation of a plan as set forth in the Bankruptcy Code. Therefore, I respectfully request that the Court confirm the Plan.

I hereby declare under penalty of perjury this 14th day of July 2008 , that the foregoing is true and correct to the best of my knowledge, information and belief.

Michael Jacoby

Linda Diane Biazzo

LINDA DIANE BIAZZO
NOTARY PUBLIC
STATE OF NEW JERSEY
MY COMM. EXP. 10/16/11

EXHIBIT "A"

Shapes/Arch Holdings, LLC
Liquidation Analysis - Exhibit 1
Estimated Liquidation Proceeds
June 6, 2008

	Month 1 Aug-08	Month 2 Sep-08	Month 3 Oct-08	Month 4 Nov-08	Month 5 Dec-08	Month 6 Jan-09	Month 7 Feb-09	Month 8 Mar-09	Month 9 Apr-09	Month 10 May-09	Month 11 Jun-09	Month 12 Jul-09	Month 13 Aug-09	Month 14 Sep-09	Month 15 Oct-09	Month 16 Nov-09	Month 17 Dec-09	Month 18 Jan-10	Total
1) **Sources**																			
a) Collection of A/R																			
Shapes	3,469,457	2,602,093	867,364	867,364	867,364	867,364	867,364	867,364	-	-	-	-	-	-	-	-	-	-	11,275,735
Delair	1,947,289	1,460,467	486,822	486,822	486,822	486,822	486,822	486,822	-	-	-	-	-	-	-	-	-	-	6,328,689
Accu-Weld	481,526	160,509	160,509	160,509	160,509	160,509	160,509	160,509	-	-	-	-	-	-	-	-	-	-	1,605,085
Ultra	1,227,873	920,905	306,968	306,968	306,968	306,968	306,968	306,968	-	-	-	-	-	-	-	-	-	-	3,990,588
Total	7,126,145	5,143,973	1,821,663	1,821,663	1,821,663	1,821,663	1,821,663	1,821,663	-	-	-	-	-	-	-	-	-	-	23,200,098
b) Sale of Inventory																			
Shapes	9,830,805	2,457,701	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,288,506
Delair	2,260,251	2,260,251	-	-	1,130,126	-	-	-	-	-	-	-	-	-	-	-	-	-	5,650,628
Accu-Weld	323,794	485,692	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	809,486
Ultra	-	-	-	9,577,444	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,577,444
Total	12,414,850	5,203,644	-	9,577,444	1,130,126	-	-	-	-	-	-	-	-	-	-	-	-	-	28,326,063
c) Sale of Machinery & Equipment	-	-	-	-	142,020	-	1,175,295	472,095	4,051,500	-	-	-	-	-	-	-	-	-	5,840,910
d) Sale of Real Estate	-	-	-	-	-	-	-	-	2,542,500	2,520,000	-	-	-	-	-	-	-	13,720,000	18,782,500
e) Other Assets																			
Return of Post-Petition Security Deposits																		1,055,000	1,055,000
Excess of L/C over Reserve - Workmans Comp																		1,400,000	1,400,000
Recovery of Avoidance Actions 5.0%																		2,540,650	2,540,650
Total Estimated Gross Liquidation Proceeds	19,540,995	10,347,617	1,821,663	11,399,107	3,093,809	1,821,663	2,996,958	2,293,758	6,594,000	2,520,000	-	-	-	-	-	-	-	18,715,650	81,145,221

Shapes/Arch Holdings, LLC
Liquidation Analysis - Exhibit 1
Estimated Liquidation Proceeds
June 6, 2008

		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	
		Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Total
2) **Uses**																				
a) Priority and Administrative																				
Chapter 7 Trustee & Professionals		50,000	50,000	50,000	50,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	2,459,357	2,984,357
Chapter 11 Non-Professionals		550,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	550,000
Chapter 11 Priority Claims		884,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	884,000
Chapter 11 Administrative Claims		80,000	-	-	-	-	-	-	-	74,794	-	-	-	-	-	-	-	-	673,145	827,939
Subtotal		1,564,000	50,000	50,000	50,000	25,000	25,000	25,000	25,000	99,794	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	3,132,502	5,246,296
b) Estimated Wind Down Costs																				
Shapes		675,168	209,508	151,248	375,748	150,748	150,748	375,748	150,748	250,748	475,748	233,548	233,548	458,548	224,948	224,948	449,948	224,948	224,948	5,241,544
Delair		171,760	100,060	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	367,820
Accu-Weld		197,080	103,220	40,760	19,760	19,760	39,760	19,760	19,760	39,760	19,760	-	-	-	-	-	-	-	-	519,380
Ultra		386,240	70,780	53,160	8,660	8,660	8,660	8,660	8,660	8,660	-	-	-	-	-	-	-	-	-	562,140
Total Wind Down Costs		1,430,248	483,568	251,168	410,168	185,168	205,168	410,168	185,168	305,168	501,508	239,548	239,548	464,548	230,948	230,948	455,948	230,948	230,948	6,690,884
c) Other																				
Collection Agency	15.0%			273,249	273,249	273,249	273,249	273,249	273,249	-										1,639,497
Inventory Liquidator (Fee & Exp)	5.75%				550,703	64,982														615,685
M&E Liquidator	15.0%	-	-	-	-	21,303	-	176,294	70,814	607,725	-	-	-	-	-	-	-	-	-	876,136
Reserve for M&E Removal								75,000		250,000										325,000
Real Estate Broker	6.0%	-	-	-	-	-	-	-	-	152,550	151,200	-	-	-	-	-	-	-	823,200	1,126,950
Total Other		-	-	273,249	823,953	359,535	273,249	524,544	344,064	1,010,275	151,200	-	-	-	-	-	-	-	823,200	4,583,269
Net Proceeds from Liquidation		16,546,747	9,814,049	1,247,246	10,114,987	2,524,106	1,318,246	2,037,247	1,739,527	5,178,763	1,842,292	(264,548)	(264,548)	(489,548)	(255,948)	(255,948)	(480,948)	(255,948)	14,529,000	64,624,772
3) **Maintain Cash Balance**																				
Beginning Cash Balance		-	2,500,000	2,505,208	2,510,428	2,515,658	2,520,899	2,526,150	2,531,413	2,536,687	2,541,972	2,547,268	2,288,026	2,028,245	1,542,923	1,290,189	1,036,929	558,141	303,356	-
Plus: Additions		2,500,000	-																	2,500,000
Plus: Interest on Cash Balance	2.50%		5,208	5,219	5,230	5,241	5,252	5,263	5,274	5,285	5,296	5,307	4,767	4,226	3,214	2,688	2,160	1,163	632	71,424
Less: Use of Cash Balance		-	-	-	-	-	-	-	-	-	-	(264,548)	(264,548)	(489,548)	(255,948)	(255,948)	(480,948)	(255,948)	-	(2,267,436)
Less: Return of Cash Balance																			(303,988)	(303,988)
Ending Cash Balance		2,500,000	2,505,208	2,510,428	2,515,658	2,520,899	2,526,150	2,531,413	2,536,687	2,541,972	2,547,268	2,288,026	2,028,245	1,542,923	1,290,189	1,036,929	558,141	303,356	-	(0)
4) **Secured Debt Rollforward**																				
Beginning of Month		74,514,294	68,028,386	58,716,304	57,902,313	48,228,325	46,073,835	45,109,308	43,418,663	42,013,264	37,158,257	35,603,898	35,880,361	36,158,865	36,439,423	36,722,051	37,006,765	37,293,580	37,582,511	74,514,294
Plus: Draw Under Ultra L/C's		3,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,000,000
Plus: Draw Under Worker Comp - Prior		1,855,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,855,000
Plus: Draw Under Worker Comp - Sentry		2,138,531	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,138,531
Plus: Interest - Blended Rate	6.85%	425,634	388,586	335,394	330,745	275,486	263,179	257,670	248,012	239,985	212,252	203,374	204,953	206,544	208,146	209,761	211,387	213,025	214,676	4,648,807
Plus: Additional Interest - Default Rate	2.00%	124,190	113,381	97,861	96,504	80,381	76,790	75,182	72,364	70,022	61,930	59,340	59,801	60,265	60,732	61,203	61,678	62,156	62,638	1,356,417
Plus: Letter of Credit Fee		17,484	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,484
Plus: Fees - Arch		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plus: Fees - CIT					13,750	13,750	13,750	13,750	13,750	13,750	13,750	13,750	13,750	13,750	13,750	13,750	13,750	13,750	13,750	206,250
Less: Return of Cash Balance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(303,988)	(303,988)
Less: Paydown (net of additions to cash)		(14,046,747)	(9,814,049)	(1,247,246)	(10,114,987)	(2,524,106)	(1,318,246)	(2,037,247)	(1,739,527)	(5,178,763)	(1,842,292)	-	-	-	-	-	-	-	(14,529,000)	(64,392,208)
End of Month		68,028,386	58,716,304	57,902,313	48,228,325	46,073,835	45,109,308	43,418,663	42,013,264	37,158,257	35,603,898	35,880,361	36,158,865	36,439,423	36,722,051	37,006,765	37,293,580	37,582,511	23,040,586	23,040,586
5) **Shortfall to Secured Creditors**																				**23,040,586**
6) **Remaining Chapter 11 Priority Claims**																				
503(b)(9) Claims																			2,513,606	2,513,606
Accrued PTO																			1,659,164	1,659,164
Employer Taxes on Accrued PTO	10.50%																		174,212	174,212
Total		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,346,982	4,346,982
7) **Shortfall BEFORE Unsecured Creditors**																				**27,387,568**

Shapes/Arch Holdings, LLC
Liquidation Analysis - Exhibit 2
Proceeds Comparison
June 6, 2008

Accounts Receivable	Estimated Book Value 8/3/2008	Estimated Borrowing Base Avail. 8/3/2008	Estimated Gross Liquidation Proceeds 8/3/2008	Estimated Proceeds as a % of of BV	Estimated Proceeds as a % of Bbase
Shapes	17,621,321	13,987,513	11,275,735	64.0%	80.6%
Delair	9,954,655	8,288,052	6,328,689	63.6%	76.4%
Accu-Weld	4,246,310	2,780,359	1,605,085	37.8%	57.7%
Ultra	6,491,703	4,971,471	3,990,588	61.5%	80.3%
Total	38,313,988	30,027,396	23,200,098	60.6%	77.3%

Inventory	Estimated Book Value 4/30/2008	Estimated Borrowing Base Avail. 4/30/2008	Estimated Book Value 8/3/2008	Estimated Borrowing Base Avail. 8/3/2008	Estimated Gross Liquidation Proceeds 8/3/2008	Estimated Proceeds as a % of of BV	Estimated Proceeds as a % of Bbase
Shapes	13,046,000	8,312,000	14,763,876	9,406,510	12,288,506	83.2%	130.6%
Delair	12,500,000	6,382,000	10,045,272	5,128,714	5,650,628	56.3%	110.2%
Accu-Weld	2,640,000	520,000	2,927,857	576,699	809,486	27.6%	140.4%
Ultra	15,698,000	8,211,000	16,741,359	8,756,740	9,577,444	57.2%	109.4%
Total	43,884,000	23,425,000	44,478,364	23,868,663	28,326,063	63.7%	118.7%

*

Machinery & Equipment	2/2007 Appraisal **Orderly** Liquidation Value	12/17/2007 Appraisal **Orderly** Liquidation Value	12/17/2007 Appraisal **Forced** Liquidation Value	Estimated Gross Liquidation Proceeds	Forced as a % of Orderly	Estimated Proceeds as a % of Forced
Shapes	9,035,000	8,823,250	4,625,275	3,700,220	52.4%	80.0%
Shapes - Tools and Dies	N/A	N/A	N/A	351,280	N/A	N/A
Delair	700,000	681,875	524,550	472,095	76.9%	90.0%
Accu-Weld	1,903,000	1,814,075	1,382,700	1,175,295	76.2%	85.0%
Ultra	206,000	204,425	157,800	142,020	77.2%	90.0%
Total	11,844,000	11,523,625	6,690,325	5,840,910	58.1%	87.3%

Real Estate	2/2005 Appraisal **Market** Value	9/28/2007 Appraisal **Market** Value	9/28/2007 Appraisal **Liquidation** Value	Estimated Gross Liquidation Proceeds	Liq. Value as a % of Market	Estimated Proceeds as a % of Liq. Value
Shapes	9,770,000	12,550,000	9,425,000	7,540,000	75.1%	80.0%
Delair	7,900,000	10,300,000	7,725,000	6,180,000	75.0%	80.0%
Accu-Weld	3,300,000	3,725,000	2,800,000	2,520,000	75.2%	90.0%
Ultra	3,600,000	3,775,000	2,825,000	2,542,500	74.8%	90.0%
Total	24,570,000	30,350,000	22,775,000	18,782,500	75.0%	82.5%

Shapes/Arch Holdings, LLC
Liquidation Analysis
Assumptions
June 6, 2008

Introduction

Section 1129(a)(7) of the Bankruptcy Code requires that each holder of an impaired Allowed Claim or Equity Interest either (a) accept the plan of reorganization (the "Plan") or (b) receive or retain under such Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive or retain if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code on the Effective Date of the Plan.

The purpose of the Liquidation Analysis that follows (the "Liquidation Analysis") is to provide information in order for the Bankruptcy Court to determine that the Plan satisfies this requirement. The Liquidation Analysis was prepared to assist the Bankruptcy Court in making this determination and should not be used for any other purpose.

We have identified the general assumptions that were used in preparing the Liquidation Analysis, which assumes that this bankruptcy case is converted to a Chapter 7 proceeding on the Effective Date, and that a Chapter 7 Trustee is charged with reducing to cash any and all assets of the Debtors and making distributions to the holders of Allowed Claims (and Equity Interests) in accordance with the distributive provisions of Section 726 of the Bankruptcy Code.

Conversion of the Debtors' cases to cases under Chapter 7 of the Bankruptcy Code would likely result in additional costs to the estates. Costs of liquidation under Chapter 7 of the Bankruptcy Code would include the compensation of a trustee as well as professionals retained by the trustee, asset disposition expenses (including broker fees and other commissions), personnel costs, and costs and expenses associated with preserving and protecting the Debtors' assets during the liquidation period.

The Liquidation Analysis is limited to presenting information provided by management and does not include an independent evaluation for the underlying assumptions. The Liquidation Analysis has not been examined or reviewed by independent accountants in accordance with standards promulgated by the American Institute of Certified Public Accountants. The estimates and assumptions, although considered reasonable by management, are inherently subject to significant uncertainties and contingencies beyond the control of management. Accordingly, there can be no assurance that the results shown would be realized if the Debtors were liquidated, and actual results in such case could vary materially from those presented. If actual results are different from those shown, or if the assumptions used in formulating the Liquidation Analysis were not realized, then distributions to and recoveries by holders of Allowed Claims (and Equity Interests) could be materially affected.

The Liquidation Analysis does not include liabilities that may arise as a result of litigation, tax assessments, or other potential claims. The Liquidation Analysis does include an estimate of recoveries from potential avoidance actions. For the foregoing reasons and others, the Liquidation Analysis is not necessarily indicative of the values that may be realized in an actual liquidation, which values could vary materially from the estimates provided herein.

The Liquidation Analysis, which was prepared by the Debtors in consultation with their restructuring and legal advisers, is based upon a number of estimates and assumptions that, although developed and considered reasonable by management, are inherently subject to significant economic and competitive uncertainties and contingencies beyond the control of the Debtors and management. The Liquidation Analysis is based upon assumptions with regard to liquidation decisions that would be made by the Trustee (not management) and that are subject to change. Accordingly, there can be no assurance that the values reflected in the Liquidation Analysis would be realized by the Debtors were they, in fact, to undergo such a liquidation.

General Assumptions

1) The Liquidation Analysis is based upon an estimate of the proceeds that would be realized, and expenses that would be incurred, by the Debtors in the event that the Debtors' assets are liquidated under Chapter 7 of the Bankruptcy Code. The Liquidation Analysis is based upon projected balance sheets as of August 3, 2008, and further assumes that the Debtor's operate in a "business as usual" environment (as depicted in the Weekly cash flow forecast that was updated as of May 8, 2008 (the "Updated DIP Forecast") until August 3, 2008 (the "Shut Down Date"), at which point all of the employees are released. We have assumed that the Chapter 7 activities commence on August 4, 2008 (the "Conversion Date").

2) The Chapter 7 liquidation period is assumed to last eighteen months following the appointment or election of a Chapter 7 trustee. It is assumed that none of the Debtors businesses will take receipt of any product and that the Debtors will not convert any raw materials or work-in process into finished goods.

3) Aside from the maintenance of a minimum cash balance, all distributions will be made as and when proceeds from the disposition of assets and collection of receivables are received. Projected recoveries have not been discounted to reflect the present value of distributions.

4) The Liquidation Analysis does not assume the sale of the Debtors' assets or any portion thereof on a going concern basis. As a result, the values reflected in the Liquidation Analysis are not indicative of the values that might be received were the Debtors to sell any of their assets as a going concern separately or as a whole. The values reflected in the Liquidation Analysis are based solely on the assumption that the Debtors pursue a pure liquidation under chapter 7 of the Bankruptcy Code.

5) Contingent Liability - This analysis does not include the possibility of liability under the WARN Act for 60 working days of wages totaling $9.7 million. In the event of a liquidation, the Debtors may be faced with WARN liability unless the exposure can be ameliorated in whole or in part through an advance notice to employees or an exemption under the WARN statute. This liability would be treated as an administrative expense claim against the estates.

6) The Debtors have prepared this analysis assuming that all Chapter 7 and Chapter 11 administrative expense and pre-petition priority claims will be paid in full as part of the liquidation of the Debtors' assets. It is very possible that certain Chapter 7 administrative expenses, the Chapter 11 administrative expenses that are not included in a carve-out from the Lenders' collateral, and the pre-petition priority claims will not be paid ahead of payment on the Lenders' secured claims. In this event, the remaining balance due to the Lenders may be several million dollars lower than projected, and these administrative and priority claims would not be paid, leaving administratively insolvent estates.

Specific Assumptions/Footnotes

1) Sources
   a) Collection of A/R – we assumed that the Trustee will hire former employees at each of the Debtors in August and September to pursue collection of outstanding accounts receivable. At the end of August, any remaining open accounts receivable will be provided to a collection agency, which will be compensated at an assumed rate of 15%. We have assumed a 6 month process to collect remaining A/R. We estimated collection amounts based on a percentage of eligible A/R (65% for all Debtors' except Accu-Weld, for which we assumed 50%), and ineligible A/R (32.5% for all Debtors' except Accu-Weld, for which we assumed 12.5%).

   b) Sale of inventory – we assumed that all sales were for cash and that the buyer would be responsible for freight, which has historically been paid by the Debtors' and ranges from 3-5% of revenue. We further assumed that the Trustee will hire former employees to assist with the sales and pick/pack efforts.
      i. Shapes - We assumed that the inventory will all be sold by the end of September and that the sale will generate proceeds equal to 83% of book value and 131% of borrowing base availability.
      ii. Delair - We assumed that virtually all of the finished goods inventory will be sold by the end of September and that the remaining component parts would be sold at auction at the end of December. We assumed that the sale of inventory will generate proceeds equal to 56% of book value and 110% of borrowing base availability.
      iii. Accu-Weld - We assumed that all of the inventory, the vast majority of which is raw materials or work in process, will be sold by the end of September and that the sale will generate proceeds equal to 28% of book value and 140% of borrowing base availability.
      iv. Ultra - We assumed that all of the inventory would be sold at an auction at the end of November and that the auction will generate proceeds equal to 57% of book value and 109% of borrowing base availability.

   c) Sale of Machinery & Equipment – we used the Forced Liquidation Values in the December 17, 2007 Appraisal performed by Dovebid Valuation Services ("DVS") as our starting point, and incorporated an additional across-the-board discount of 10% to reflect the i) passage of time since the M&E Appraisal Date; ii) deterioration of the economy since the M&E Appraisal Date; iii) deterioration of the credit markets since the M&E Appraisal Date; and iv) the possibility that the DVS Liquidation Value did not necessarily reflect the fact that the facilities would be completely shut down and operated by a Chapter 7 Trustee. We incorporated an additional 10% discount for Shapes based on the general state of the extrusion market, and the small number of potential purchasers, and an additional 5% discount for Accu-Weld to reflect the general over-capacity in the replacement window market. Finally, we assumed a 5% recovery on the net book value of

Shapes' tools and dies, as these were not considered as art of Dovebids' appraisal. We assumed that the auctions would occur as follows:

Entity	Month of Auction
Shapes	April, 2009
Delair	March, 2009
Accu-Weld	February, 2009
Ultra	December, 2008

d) Sale of Real Estate - we used the Liquidation Values in the September 28, 2007 Appraisal performed by Cushman & Wakefield ("C&W") as our starting point, and incorporated an additional across-the-board discount of 10% to reflect the i) passage of time since the RE Appraisal Date; ii) deterioration of the economy since the RE Appraisal Date; iii) deterioration of the credit markets since the RE Appraisal Date; and iv) the possibility that C&W's Liquidation Value did not necessarily reflect the fact that the facilities would be completely shut down and operated by a Chapter 7 Trustee. We incorporated an additional 10% discount for Shapes and Delair to reflect the limited alternative uses of this single parcel of land as well as the environmental issues that are present. We assumed that the RE would be sold as follows:

Entity	Month of Sale
Shapes	January, 2010
Delair	January, 2010
Accu-Weld	May, 2009
Ultra	April, 2009

e) Other Assets
   i. Return of security deposits reflects the post-petition utility deposits that were incorporated into the DIP Forecast. We have assumed that these deposits are returned at the end of the liquidation period.
   ii. Excess of L/C over Reserve for Workman's Compensation tail coverage represents the excess of the letters of credit issued to Argonaut and Royal over their established reserves as of 12/31/07. Royal provided coverage from 5/2001 through 4/2004 and has 4 open claims, while Argonaut provided coverage from 5/2004 thru 4/2006 and has 8 open claims. No additional claims will be filed. We have assumed that the beneficiaries will draw on the L/C's shortly after the Conversion Date and have incorporated the return of this excess collateral, which we have estimated at $1.4 million, to the estate in January 2010.
   iii. Recovery of avoidance actions – the Debtors have estimated that they made $50,813,000 in payments in the 90 days prior to filing for bankruptcy protection. We have estimated that the Chapter 7 Trustee will be successful in

recovering 5% of this amount, or $2,540,650, which we have assumed will be collected in January 2010.

2) Uses
   a) Priority and Administrative
      i. Chapter 7 Trustee and Professionals – incorporates a fees equal to 3.0% of gross proceeds from liquidation – payable at the end of the liquidation process, as well as $550,000 in fees to professionals hired by the Chapter 7 Trustee, which would be payable monthly.
      ii. Chapter 7 – Non Professionals – reflects $550,000 that will be owed to utilities as of the Shut Down Date.
      iii. Chapter 11 Priority Claims – includes accrued but unpaid payroll of $800,000 representing one week for union employees and one week for non-union employees, plus employer payroll taxes of 10.5%. WARN ACT obligations (60 work days or 12 weeks of payroll, which equates to $9.7 million) have *not* been incorporated into this analysis.
      iv. Chapter 11 Administrative Claims – includes accrued but unpaid sales and use tax of $80,000 (the same amount as existed as of the Filing Date); and $748k in unpaid pre-petition real estate taxes which are paid in conjunction with the sale of the real estate (April 2009 and January 2010).

   b) Wind Down Costs
      i. Includes estimated costs associated with personnel, shipping supplies, equipment rental, cleaning, telephone, utilities, insurance, real estate taxes, and security for each entity.
      ii. Includes $1,350,000 in estimated environmental remediation expenses at Shapes and an additional $1,000,000 of expenses at Shapes relating to the restoration of the Shapes building to a saleable state after the M&E auction.

   c) Other
      i. Collection Agency fee – we assumed that all open A/R would be turned over to a collection agency at the end of September, that the agency would collect the remaining A/R over a 6 month period, and that the agency would earn a fee equal to 15% of what they collect;
      ii. Inventory liquidator fee – we incorporated a fee of 5% of the gross proceeds, plus an additional 75 basis points for expenses, relating to the auctions at Ultra (in November) and Delair (in December);
      iii. M&E Liquidator fee – we incorporated a fee of 10% of the gross proceeds, plus an additional 5% for expenses, relating to the auctions of M&E at each entity;
      iv. Reserve for M&E removal – we assumed that some of the M&E would not be sold at auction, and incorporated a removal reserve of $250,000 at Shapes and $75,000 at Accu-Weld;
      v. Real estate broker - we incorporated a fee of 6% of the gross proceeds realized from the sale of real estate.

3) Maintain Cash Balance
   a) Because there are months in which the estimated liquidation expenses exceed the estimated liquidation proceeds, we have incorporated a provision for establishing an interest-bearing bank account, which is used to pay for expenses in months 11 thru 17.
   b) Excess balances are used to repay secured debt at the end of the liquidation period.

4) Secured Debt Rollforward
   a) Beginning secured debt is derived from the estimated 8/03/08 balance in the DIP Forecast, as follows:

Type of Debt	Amount
CIT Bank Group - Revolver	$46,981,171
Arch Term Loan	27,533,122
Total Secured Debt	$74,514,294

   b) Draw under Letters of Credit – we have assumed that all letters would be immediately drawn upon, thereby increasing the CIT loan outstanding in July.
   c) Interest – we calculated the blended interest rate on the CIT Bank Group debt and Arch Term loan as of 8/03/08 (assuming the letters of credit were fully drawn) and calculated a weighted average cost of secured debt of 6.85%. We assumed this blended rate for the entire liquidation period which further assumes that the CIT Bank Group and Arch are paid down at the same proportional rate. We did not attempt to estimate the manner in which liquidation proceeds would be applied to the individual debt instruments.
   d) Additional Interest – Default Rate – we incorporated additional interest expense relating to the default rate of interest, which is an additional 2% under both loans.
   e) Letter of Credit Fee – we assumed that any outstanding letters of credit would accrue fees at the annual rate of 3.00%, which is the stated rate in the CIT loan documents.
   f) Fees – CIT – incorporated at $13,750 per month per the terms of their Agent's Fee Letter.
   g) Return of Cash Balance – incorporates the return of excess cash balances in the bank account at the end of the liquidation period as described above.
   h) Paydown – for modeling purposes, we assumed that the Net Proceeds from Liquidation in every month (in excess of the amounts deposited into the bank account as described above) would be used to reduce the Secured Debt.

5) Shortfall to Secured Creditors – net proceeds from liquidation have been estimated at

$64.6 million, which will result in a shortfall of $23.0 million to the secured creditors. In addition, there is an additional $4.4 million of priority payments (503(b)(9) claims and accrued vacation and sick time) that would be paid before any distribution to the unsecured creditors, resulting in a total shortfall of $27.4 million. Accordingly, there would be no distribution to unsecured creditors.

Comparison with Balance Sheet and Borrowing Base

Exhibit 2 compares various appraisal values with the estimated 8/03/08 book values, the estimated 8/03/08 borrowing base amounts, and the estimated liquidation values.

Exhibit B
Estimated Emergence Day Funding Requirements

		CAP	Subject to CAP Cash Required at Emergence
	Estimated Debt at Close of Business - 7/25/08		
	CIT Revolver		39,405,308
	Plus: Letters of Credit		6,693,531
	Total CIT Exposure		46,098,839
	Arch DIP Loan		28,231,201
	Accrued Interest		410,041
	Grand Total		74,740,081
	Emergence Date Funding Requirements		
	Admin Claims		
	Uncontested 503(b)(9) Claims		1,226,029
	Contested 503(b)(9) Claims		1,368,202
	Admin Claims the Debtor will Dispute		333,903
	Improperly Filed Admin Claims		3,754
	Disputed Claims - Objections have been filed		157,510
	Fee Claims		-
	Priority Tax Claims	84,667	27,168
1	Other Priority Claims	2,000,000	1,658,191
2	Secured Real Estate Claims	1,111,880	899,857
3	Arch DIP Claim		See Above
4	CIT DIP Claim		See Above
5	Secured Claims - PMSI		-
6	Secured Claims - Warehousemen		-
7	Collateralized Insurance Program Claims		-
8	Misc. Secured Claims		-
9	EPA/NJDEP Claims		-
10	General Unsecured Claims		5,000,000
11	Ben Interests		-
12	Class 12 Interests		-
	Reserve for Plan Expenses		200,000
	Contract Cure Amounts		878,000
	Fees Associated with Exit Financing		-
	Opening Availability on Exit Revolver		-
	Professional Fee Adjustment		-
	Total		11,752,614
	Grand Total		**86,492,694**
	Cap at Closing		90,000,000
	Excess (Shortfall)		3,507,306

EXHIBIT "C"

Exhibit C
Shapes/Arch Holdings, LLC
Projected Profit & Loss Statement

	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Total
Net Sales	$ 21,206,640	$ 18,437,429	$ 20,583,204	$ 17,159,993	$ 12,002,945	$ 89,390,212
COGS						
Material Costs	11,645,134	10,303,555	11,396,495	9,429,343	6,756,373	49,530,899
Mfg Expenses	5,803,760	5,422,246	5,868,988	5,444,510	4,256,832	26,796,336
	17,448,894	15,725,801	17,265,483	14,873,852	11,013,205	76,327,235
Gross Profit	$ 3,757,746	$ 2,711,628	$ 3,317,722	$ 2,286,141	$ 989,740	$ 13,062,977
Operating Expenses						
Delivery	1,038,784	930,640	1,018,750	886,073	661,167	4,535,414
Selling	833,078	765,398	805,738	792,006	652,098	3,848,319
General & Admin	1,463,166	1,443,845	1,494,021	1,414,940	1,455,561	7,271,534
	3,335,028	3,139,884	3,318,509	3,093,019	2,768,827	15,655,267
Operating Income	$ 422,718	$ (428,256)	$ (787)	$ (806,879)	$ (1,779,087)	$ (2,592,290)
Interest Expense	545,163	502,835	474,806	483,057	475,087	2,480,949
Other Income	27,000	27,000	27,000	27,000	27,000	135,000
Net Income	$ (95,445)	$ (904,091)	$ (448,593)	$ (1,262,936)	$ (2,227,174)	$ (4,938,239)
EBITDA	**$ 1,215,711**	**$ 364,736**	**$ 792,204**	**$ (13,889)**	**$ (988,098)**	**$ 1,370,665**

Exhibit C
Shapes/Arch Holdings, LLC
Projected Monthly Balance Sheet

Assets	**Opening 8/3/08**	**8/31/08**	**9/30/08**	**10/31/08**	**11/30/08**	**12/31/08**
Cash	$ -	$ -	$ -	$ -	$ -	$ -
Accounts Receivable	37,725,000	32,562,682	30,758,883	30,366,639	29,132,476	23,247,344
Inventory	43,503,000	42,679,042	42,265,792	42,043,122	43,511,533	45,078,511
Prepaids	1,604,000	1,532,000	1,304,000	1,231,000	1,357,000	998,000
Current Assets	$ 82,832,000	$ 76,773,723	$ 74,328,675	$ 73,640,760	$ 74,001,010	$ 69,323,855
Net PPE	65,995,000	65,785,000	65,575,000	65,365,000	65,155,000	64,945,000
Other Asset	-	-	-	-	-	-
Total Assets	**$ 148,827,000**	**$ 142,558,723**	**$ 139,903,675**	**$ 139,005,760**	**$ 139,156,010**	**$ 134,268,855**
Liabilities						
Accounts Payable	$ 336,000	$ 2,469,516	$ 3,113,088	$ 4,150,397	$ 4,519,991	$ 3,774,940
Accrued Expenses	6,292,000	6,292,000	6,292,000	6,292,000	6,292,000	6,292,000
Current Liabilities	$ 6,628,000	$ 8,761,516	$ 9,405,088	$ 10,442,397	$ 10,811,991	$ 10,066,940
Revolver	46,981,000	38,674,653	36,280,124	34,793,493	36,337,085	34,922,154
Term Loan	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
Note Class 10	1,500,000	1,500,000	1,500,000	1,500,000	1,000,000	500,000
Members Equity	63,718,000	63,622,555	62,718,463	62,269,870	61,006,934	58,779,761
Total Liabilities & Equity	**$ 148,827,000**	**$ 142,558,723**	**$ 139,903,675**	**$ 139,005,760**	**$ 139,156,010**	**$ 134,268,855**
	-	-	-	-	-	-

Exhibit C
Shapes/Arch Holdings, LLC
Projected Monthly Cash Flow Statement

	8/31/08	9/30/08	10/31/08	11/30/08	12/31/08	Total
Net Income/(Loss)	$ (95,445)	$ (904,091)	$ (448,593)	$ (1,262,936)	$ (2,227,174)	(4,938,239)
Depreciation/Amortization	765,994	765,992	765,991	765,990	763,989	3,827,956
A/R Reserve	-	-	-	-	-	-
Accounts Receivable	5,162,318	1,803,799	392,244	1,234,162	5,885,132	14,477,656
Inventory	823,958	413,250	222,670	(1,468,412)	(1,566,978)	(1,575,511)
Prepaids	72,000	228,000	73,000	(126,000)	359,000	606,000
Accounts Payable	2,133,516	643,572	1,037,309	369,594	(745,050)	3,438,940
Accrued Expenses	-	-	-	-	-	-
Cash from Operations	8,862,341	2,950,521	2,042,622	(487,602)	2,468,919	15,836,802
Capital Expenditures	(555,994)	(555,992)	(555,991)	(555,990)	(553,989)	(2,777,956)
Revolver Borrowing	(8,306,347)	(2,394,529)	(1,486,631)	1,543,592	(1,414,930)	(12,058,846)
Amortization -Class 10 Note	-	-	-	(500,000)	(500,000)	(1,000,000)
Net Cash Available	-	-	0	(0)	0	0
Beginning Cash	-	-	-	0	(0)	-
Ending Cash	-	-	0	(0)	0	0
	-					